

FIG. 1A

I. ORIGINATION

APPLICATION: BORROWER

ORIGINATOR

UNDERWRITING ANALYSIS

- INCOME VERIFICATION
- CREDIT HISTORY
- OTHER ASSETS
- DOWN PAYMENT

REJECT

ACCEPT

INVESTORS:

- PRICING/TERMS
- MONTHLY PAYMENT
- AMORTIZATION PERIOD
- CAPPED MAXIMUM RETURN
- EARLY SALE CONDITIONS

CLOSING

INVESTOR - BORROWER: MORTGAGE PRINCIPAL \$

BORROWER - INVESTOR: MORTGAGE
LOAN AGREEMENT
EQUITY PARTICIPATION CERTIFICATEBORROWER - SELLER: DOWN PAYMENT \$
MORTGAGE PRINCIPAL \$

SELLER - BORROWER TITLE

II. AMORTIZATION PERIOD - MONTHS 1 THROUGH N

PAYMENT(1) BORROWER → PERIODIC PRINCIPAL \$ -- SERVICER ____ INVESTOR
REPAYMENT - PROCESS

- CALCULATE AVG AMORT. PERIOD PRINCIPAL
(TOTAL MONTHLY PRINCIPAL OUTSTANDING
÷ #MONTHS SINCE ORIGINATION)

SALE:

- i. DETERMINE REALIZED APPRECIATION
(NET SALE PRICE - PURCHASE PRICE)
- ii. CALCULATE MAXIMUM CAPPED ANNUAL RETURN
(E.G., AVG. AMORT. PERIOD INDEX %+ ____ %)
- iii. MULTIPLY (ii.) BY AVERAGE ANNUAL PRINCIPAL
- iv. DIVIDE PROCEEDS
(E.G., IF X = [NET SALES PRICE - PURCHASE PRICE - (iii.)] > 0,
THEN BORROWER RETAINS X)

→ FINAL PRINCIPAL PAYMENT \$ → SERVICER ____ \$ INVESTOR

- PROCESS
- RECALCULATE AVG AMORTIZATION PERIOD PRINCIPAL

PAYMENT (N)

III. POST AMORTIZATION PERIOD

SALE:

- i. DETERMINE REALIZED APPRECIATION
(NET SALE PRICE - PURCHASE PRICE)
- ii. CALCULATE MAXIMUM CAPPED ANNUAL RETURN
(E.G., AVG. AMORT. PERIOD INDEX %+____%)
- iii. MULTIPLY (ii.) BY AVERAGE ANNUAL PRINCIPAL
- iv. DIVIDE PROCEEDS
(E.G., IF $X = [NET SALES PRICE - PURCHASE PRICE - (iii.)] > 0$,
THEN BORROWER RETAINS X)

3/4

FIG. 2

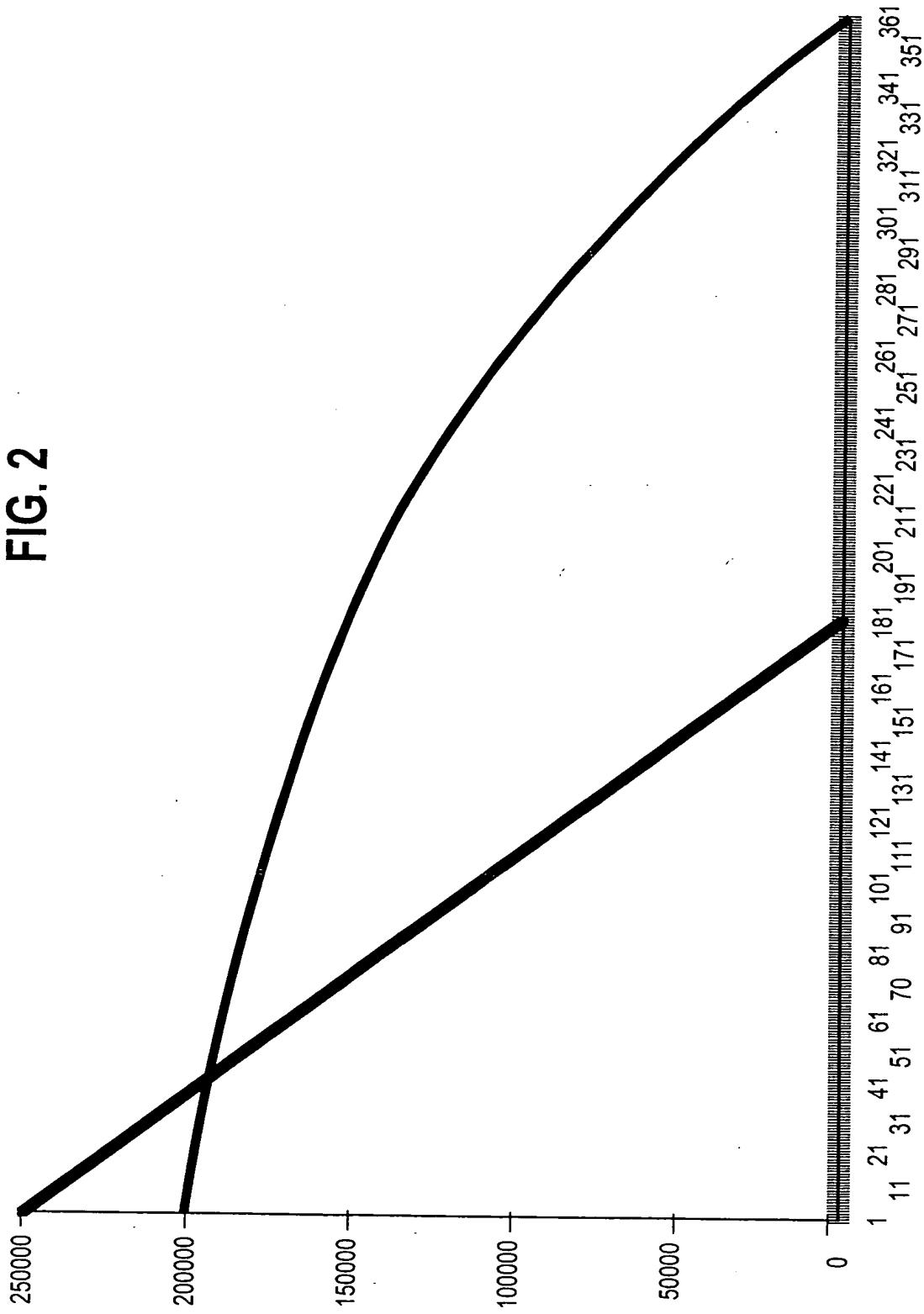


FIG. 3